



Sears

Walgreens
The Pharmacy America's Trust

THE HOME DEPOT

Challenging Assumptions

Putting LP under the Microscope

By William M. Titus

Doctors do it, so do engineers, and police officers...even farmers. More and more professions are using rigorous data to create, refine, and measure what they do. So, too, is loss prevention.

The demand to really “get it right” means moving from primarily anecdotal to fact-based decision making. As loss prevention professionals, we need to get our recommendations and decisions right since life safety, competitive advantage, LP precision, and company profitability is at stake.

Because companies’ CEOs and CFOs are increasingly demanding investment-grade data, more and more retailers are moving to fact-based loss prevention strategies developed through research. To meet the need for an independent, skilled source of rigorous research and development, the Loss Prevention Research Council (LPRC) was founded *by retailers, for retailers*.

How It Started

Back in 2000 at the National Retail Federation (NRF) loss prevention conference, King Rogers, then vice president of asset protection at Target, headed a workshop discussing data collected from 105 shoplifters by Read Hayes, Ph.D. and his team. The data revealed some new actionable ideas while throwing some conventional wisdom up for grabs.

“The research found we had special issues with female shoplifters that we never before recognized and could help shape our training,” recalled Rogers. At the conclusion of the session, he challenged his peers to come together and form an independent LP research and development entity.

“For too long, retailers like us depended on peer references, quick tests, or vendor assurances as to what really worked for us,” Rogers explained. “I knew we needed something more.”

Taking up this challenge, ten leading retailers, including The Home Depot, AutoZone, Wal-Mart, Barnes and Noble, CVS/pharmacy, The Gap, OfficeMax, and others, formed the Loss Prevention Research Council concept at an initial meeting in Orlando and asked Dr. Hayes to set up and operate the organization.

The group decided annual membership dues would support the LPRC’s research, training, and infrastructure. Thus, the LPRC was born with ten retailers and a clear mandate—help make members more successful by supporting their LP efforts.

Research Partners

Later, joining the retail members were high-risk products manufacturers like Gillette, Wyeth, Johnson and Johnson, LifeScan, GlaxoSmithKline, and Procter & Gamble.

“We’ve worked quite closely with the LPRC over the last five years to more deeply understand retail loss, and the best ways to control it,” said Colin Peacock, global availability manager for P&G. “At P&G we are partnering with retailers around the world to help them sell more and lose less. Good research really helps us and our partners succeed.”

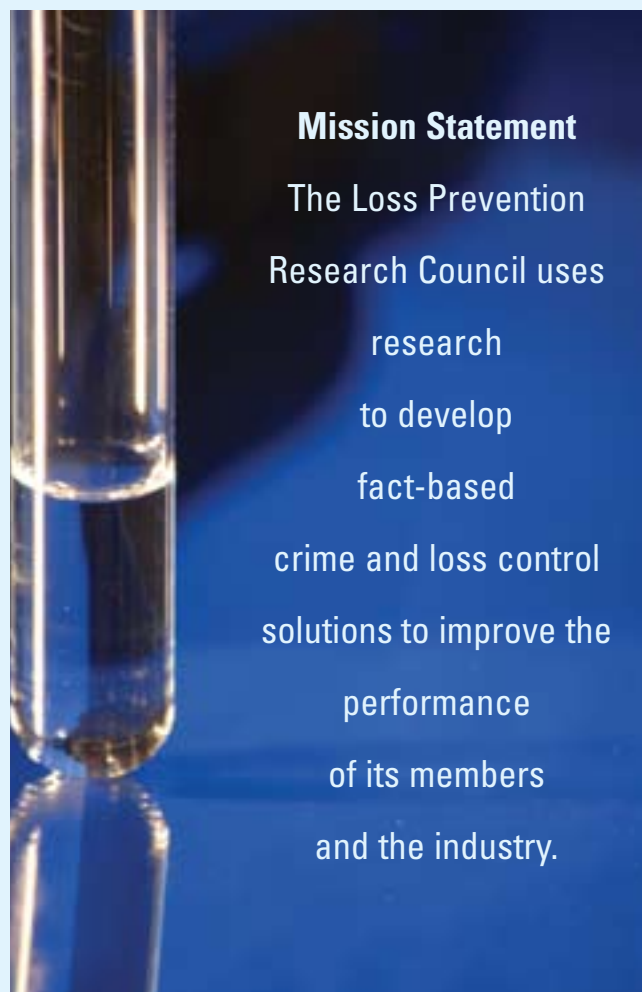
Rich Widup, CPP, of Senokot maker Purdue Pharma and ASIS International board member added, “The LPRC firmly connects my team with our retailer partners.”

In addition to the manufacturers, loss prevention solutions providers, including Alliance, Alpha Security Products, Axis Communications, Checkpoint, IntelliVid, Nashua, The Return Exchange, and SiRAS, have also joined LPRC as research partners.

Alan Sherman of IntelliVid has been a regular consumer of LPRC special project data. “We use LPRC researchers to help us learn an incredible amount about employee and shoplifter behavior,” said Sherman, “allowing us to better develop much higher impact video analysis solutions.”

The LPRC also helps LP solutions providers develop and credibly test their products. Lance Weeden of Alpha Security Products noted, “We believe third-party R&D adds power and credibility to our own efforts.”

The Return Exchange’s Dr. David Speights likes the ability to work side by side with retail decision makers to make their solutions even more effective. “I’ve engaged fully with my retail



Mission Statement
The Loss Prevention
Research Council uses
research
to develop
fact-based
crime and loss control
solutions to improve the
performance
of its members
and the industry.

partners by working on the research action team and other LPRC activities,” said Dr. Speights.

Research partners are a critical part of the LPRC since they provide both expertise and systems used to collect data.

Scope of Research

Since its formation, the LPRC has participated in over forty real-world retail loss prevention research projects. LPRC projects have been varied and conducted for members and non-members alike.

Ernie Deyle and Jon Roberts of CVS/pharmacy, both highly innovative LP executives and longtime LPRC members, observed, “At CVS we’ve often worked with the LPRC to study and validate some of our more successful LP programs for high-risk goods.” [See “Product Protection—Beyond EAS” in the March/April 2004 issue.]

LPRC research projects are conducted in the field in normal operating conditions to provide the best insight and direction. Projects are guided by retailers to reflect the needs of retailers. As Gary Zamberletti of Kmart said, “The LPRC gives us ideas and solutions in a comfortable way. We don’t feel like we’re being sold because the LPRC is *our* R&D resource, not our vendor.”

Like the scope of the problem, LPRC research projects and support activities are quite varied, including:

- Developing statistical models to help retailers predict shrinkage,
- Providing profiles of shoplifting problems,
- Testing how well LP actions such as special procedures and fixtures are really working,
- Enhancing employee awareness programs with new data,
- Helping beta test emerging LP technologies for vendors,
- Cataloging stolen products at flea markets across North America,
- Supporting legislation with data and testimony,
- Assisting with experiments in Australia,
- Testing product packaging,
- Gauging product-marking schemes,
- Mapping product supply chains for multiple retail chains,
- Interviewing ORC boosters and fences,
- Evaluating employee peer reporting,
- Facilitating LP department and vendor brainstorming sessions,
- Studying shoplifter resistance to detention,
- Building an enhanced store detective selection program,
- Studying dishonest employee dynamics,
- Presenting workshops and speaking at company meetings and conferences,
- Serving as expert or forensic witnesses in legal matters,
- Building or revising LP training programs, and
- Working with executives to look into the future to better plan, staff, and budget.

Home Depot's Mike Lamb, another long-term LPRC member, said, "I really believe LPRC is a critical resource for us and the industry. The R&D team has supported us more than once when we needed more expertise, new ideas, or extra personnel."

Home Depot's Mick Pinneke added, "LPRC project experts do critical things we don't have the time or in-house resources to do."

Evolving to Better Serve the Industry

Because retailers set up and help direct the LPRC, the organization's total focus is supporting the retailer's and their business partners' success. But as the LPRC went through its first years, this was not always easy. The group experienced member turnover as heads of member companies retired or moved to other positions. This disruption created some lack of general focus.

Early in 2006 several of us decided the LPRC could and should be a critical resource not only for its members, but the entire industry. To achieve that goal, it was decided that the LPRC required some structural changes and fine-tuning of its mission in order to take the LPRC to the next level.

Members decided the LPRC should operate more like a council by establishing an active board of advisors (BOA). There are now some seventeen experienced and committed BOA members headed by a chairperson that meet both in person and by phone to help guide the LPRC's strategy, agenda, and infrastructure (see box on page 32).

With these changes, the organization is now able to be more responsive and effective by using member action teams to set goals and agendas, while providing needed resources.

continued on page 28

The power of 24/7 protection



PAXAR



Paxar incorporates Radio Frequency (RF) and Acousto-Magnetic (AM) technology into our comprehensive fabric label and graphics product lines, providing round-the-clock protection of your assets.



Loss Prevention, Auditing & Safety Conference 4/16 - 4/19

Visit Paxar at booth #411

An LPRC Case Study

Tracking Loss in the Premium Razor Blade Segment

By Read Hayes, Ph.D.



Retailers are beginning to work more with their high-risk product suppliers to focus and improve product protection. The old model was the retailer directs the effort. Now retailers and suppliers are working jointly to sell more and lose less.

Gillette (now P&G) has been a global leader in making fact-based LP decisions by taking advantage of the R&D resources of the Loss Prevention Research Council (LPRC). This case study describes portions of the ongoing efforts of Gillette to better understand the causes of loss with one of their important product lines.

Background

Premium razor blade systems are not only very popular with consumers, in many markets they can be tough to keep on shelves due to excessive loss. The LP problem with some shaving products is similar to most “hot products.” We know we have a serious issue (loss of sales and customers), but we really don’t have great insight into hot product loss dynamics, much less know enough to make highly cost-effective LP investments.

The LPRC helped work the blade loss problem in several ways, including helping define prime loss causes. To this end LPRC researchers hit over 100 flea markets across North America to document blade system presence, condition, and pricing.

Many retail LP professionals assume the number one reason blades go missing is shoplifting by professional thieves, with a huge portion of the stolen goods ending up in flea markets. This assumption led to the protection tactic of product marking by crimping or stickers.

The LPRC team believes assumptions are critical, and often very helpful, but they are not facts. They are hypotheses; in other words research questions. And questions drive projects. In this case, the global blade protection R&D process continues. The following describes a small portion of this effort.

Project Assumptions

Some of the blade protection project’s assumptions are:

- The primary cause of blade loss is professional (convert to cash) shoplifting.

- A primary place to convert stolen blades to cash is flea markets.
- Product marking will reduce the marked item’s value and therefore its attractiveness to thieves and fences.
- Marked product will either be refused by fences, or the wholesale (money paid the thief) price will be discounted (making stealing marked product less enticing).

To test these and other hypotheses, the LPRC team is analyzing hundreds of hours of CCTV footage, interviewing offenders and retail employees, field testing various processes and technologies, and reviewing loss and incident data for patterns.

To answer the flea market question specifically, actual market visits by field observers and undercover personnel were conducted.

The Research Methodology

The team searched the web for a directory of all North American flea markets. One-hundred and three flea market locations in ten geographic markets throughout the U.S. and Canada were randomly selected and visited to look for blades on display or otherwise sold. The investigators found the blades in 67 booths in just 32 (or 31 percent) of the searched flea markets.

To further test the impact of marking on the desirability or value of blades, undercover teams attempted to sell blades in various conditions. Investigators hit several markets in five phases making 46 “sells” of the men’s product to 33 separate flea market vendors in a single statewide market. This was also used to establish “street” wholesale pricing for varying conditions of product.

Twenty-three of these vendors had been previously identified as having stocked the men’s grooming product, while ten were “similar” (in terms of the category of product sold) vendors and were not necessarily known to have previously sold this product acting as control locations.

The blade product conditions included product in new packaging, product with tamperproof retailer identifying stickers, product with torn or damaged packing, and product without packaging.

Product was sold in five phases to help determine whether differing prices paid to the teams was based on the varying product packaging conditions, or other variables.

continued on page 28

AN LPRC CASE STUDY

continued from page 26

The team found all product regardless of packaging (other than no packaging) or marking condition was readily purchased (see Figure 1). Further, items marked with non-removable, retailer-specific stickers were purchased at the same price as non-marked product. In at least two cases field observers reported flea market vendors placed marked items in front of non-marked products.

Results and Insights

This vital research provides unique insight into how much, where, and why specific hot products are going. This project shows blades are not quite as widespread as initially assumed,

and the positive impact of product marking is far from conclusive.

This research is not considered conclusive, but highly suggestive of the need to improve product marking. Other recent and ongoing research is shedding further light on the hot product problem, and testing and measuring the effects of other countermeasures.

This is just one small example of the tremendous opportunity for retailers to team up with product manufacturers and LP solutions providers through the LPRC to combine efforts to find successful tactics and strategies to prevent loss.

Figure 1

Product Data

Phase	Condition	Attempts	Purchases	Average Price
1	½ stickers, ½ no stickers	18	13	4 pk = \$1.37; 8 pk = \$3.72
2	½ stickers, ½ torn packaging	10	8	4 pk = \$1.65
3	Stickers	6	5	4 pk = \$1.70
4	Torn packaging	5	5	4 pk = \$1.50
5	Out of packaging	7	5	4 pk = \$.92



CHALLENGING ASSUMPTIONS

continued from page 25

In its initial meetings, the BOA set up three ongoing teams that are focused on critical areas.

- **The Research Action Team** headed by Mike Combs of AutoZone sets the general research priorities and helps bring together the needed resources for the research projects.
- **The Marketing and Outreach Team** headed by Steve Melia of Sam's Club makes sure members and the industry are aware of the LPRC's capabilities and contributions through workshops, conference presentations, the LPRC's newly redesigned web site (www.LPresearch.org), printed materials, articles, and press releases.
- **The Development Action Team** headed by Mike Lamb of The Home Depot recruits progressive retailers, product manufacturers, and LP solutions providers to join the LPRC efforts. A larger membership means more data, more creativity and experience, and more R&D funds.

The LPRC Research Team

Focusing LP for maximum effect is tricky. In the past LP practitioners might simply compare two possible techniques or solutions for a problem. Now we more closely look first at effectiveness—does the thing even work as expected. We also want to know why and how. Then we refine the solutions, all using hard facts.

To this end, the LPRC is highly capable and objective. The LPRC staff includes doctorate-level researchers in criminology, retailing, store design, and logistics along with very experienced loss prevention and safety professionals to maximize the rigor

continued on page 30



Because companies' CEOs and CFOs are increasingly demanding investment-grade data, more and more retailers are moving to fact-based loss prevention strategies developed through research.

CHALLENGING ASSUMPTIONS

continued from page 28

and practical value of the research. The research team represents cutting-edge knowledge of deviance, deterrence, consumer marketing, store layout, "safeness," and LP impact evaluation.

While several LPRC research team members are affiliated with the University of Florida's Loss Prevention Research Team in Gainesville, Dr. Hayes and his team remain independent and work with other universities and consultancies as needed.

The BOA and its action teams work to make sure the research generated by the LPRC researchers result in *actionable* data, not just academic concepts.

"We've set the LPRC's overall research strategy for 2007 based on what we really need to know," said AutoZone's Combs. "We're looking now at more precisely identifying loss locations and causes than ever before. We're also looking at boosting in-store deterrence, and how to keep employee LP execution where it needs to be."

Another important research tool coordinated by the Research Action Team is setting up a collection of store labs. As Combs explained, "My team is setting up the store lab program where we maintain a group of department, food, drug, specialty, mass, and membership stores as ongoing research locations. The stores will have networked CCTV and other data collection points. We're also building up the offender recruiting program to keep a steady flow of internal and external criminals to interview."

Non-Research Services

In addition to conducting research, the LPRC provides additional opportunities and services for its members.

One of the newest initiatives is an executive in residence (EIR) program that will allow an up-and-coming LP manager to spend time with the research team to learn research methods. The EIR program will reward high-performing LP professionals with an exciting career-enhancing experience and provide executives with a unique incentive for their team.

The LPRC also maintains an amazing LP resource library with literally hundreds of theft, deterrence, and consumer behavior studies, books, and reports that asset protection departments can use for strategy development and training. The retail members consider this library to be a major LPRC asset.

The LPRC team also supports the industry with customized training, filling in field or planning LP slots, as well as expert witness litigation support.

A True Industry Resource

The LPRC board of advisors is committed to making the LPRC the clearinghouse of choice for all retailers, high-risk product manufacturers, and asset protection vendors across the globe. The LPRC infrastructure has been altered to make decision-making data and resources available to both corporate- *and* market-level LP decision makers through its web site, email communications, and ongoing workshops.

Store- and district-level LP professionals need good data as badly as corporate executives. Mark Stinde of Sears likes the



The current LPRC membership is committed to making sure the LPRC plays a mission-critical role for the entire LP industry. In order to make that happen, progressive retail, manufacturing, and supplier executives are invited and encouraged to join.

resources LPRC has for everyone. "We're using LPRC findings to develop our field people, and to back up what we do."

It is important to note LPRC research and other project results may be available for all members, or proprietary and confidential for an individual company. Non-members may also access certain LPRC services.

Any interested company can secure needed support from LPRC via the web site, www.LPresearch.org. Non-members may purchase research reports or literature abstracts, phone consulting, training, litigation expert witness, or R&D services by request.

While non-members are encouraged to take advantage of the LPRC, members and partners receive special benefits, including free workshop slots, a proprietary survey or training session, biweekly email updates, bimonthly research reports, full access to the resource library and web message boards, and discounted rates on all services. Varying membership levels allow full or limited access.

Next Steps

The current LPRC membership is committed to making sure the LPRC plays a mission-critical role for the entire LP industry.

continued on page 32

CHALLENGING ASSUMPTIONS

continued from page 30

In order to make that happen, progressive retail, manufacturing, and supplier executives are invited and encouraged to join.

Two LP industry leaders and longtime LPRC members Ed Wolfe and Chad McIntosh offered their perspective on what's waiting for new members. "We helped found LPRC, and have used the R&D team on important projects at The Home Depot, Polo Ralph Lauren, Bloomingdales, and now Macy's. It's an incredible resource."

Just as current members have learned, new members will realize substantial benefits from joining the LPRC, including

- The expertise to help cost-effectively focus LP programs and techniques,
- Resources and experts to help develop your LP team, and
- The processes to measure and sell your LP program.

We encourage all retailers, suppliers, and manufacturers to seriously consider joining the Loss Prevention Research Council and use its resources. Offer up your own project ideas. To get started, visit www.LPresearch.org, email projects@lpresearch.org, or contact an LPRC member for more information. ■

The LPRC board
of advisors is
committed to making
the LPRC
the clearinghouse
of choice for all
retailers, high-risk
product manufacturers,
and asset protection
vendors across
the globe.

LPRC Staff

Read Hayes, Ph.D., Director

Robert Blackwood, Project Director

Candy Carmel-Gilfilen, Research Director

Bryan Hayes, email Manager

Lyndon Modomo, Logistics Manager

LPRC Board of Advisors

Bill Titus, Chair

Vice President, Asset Protection, Sears Holdings

Roy Albiani

Director Worldwide Brand Integrity,
LifeScan/Johnson and Johnson

Rhett Asher

Vice President, The Loss Prevention Foundation

Candy Carmel-Gilfilen

Assistant Professor, University of Florida

Mike Combs

Director, Loss Prevention, AutoZone

Ernie Deyle

Vice President, Loss Prevention, CVS/Pharmacy

Jumbi Edulbehram, Ph.D.

Director of Strategic Channels, Axis
Communications

Chris Ferretti

U.S. On-Shelf Availability Manager, Proctor &
Gamble

Tom Harlan

Vice President Sales, East Coast, Alliance Display

Mike Lamb

Senior Director of Asset Protection, The Home
Depot Stores

Stephen Melia

Regional Asset Protection Director, Sam's Club

Steve Sell

Global Client Executive, Checkpoint Systems

Alan Sherman

Director of Marketing, IntelliVid Corporation

David Speights, Ph.D.

Chief Statistician, The Return Exchange

Jesse Stanley

Senior Manager, Security Operations, Walt
Disney World

Jack Trlica

Editor and Publisher, *LossPrevention Magazine*

Lance Weeden

Director of Sales, Alpha Security Products



WILLIAM M. "BILL" TITUS is vice president of asset protection for Sears Holdings and current chair of the Loss Prevention Research Council's board of advisors. Prior to joining Sears in 2003, Titus held vice president-level positions for OfficeMax and TJ Maxx. He began his career as a controller for Montgomery Ward in Chicago. Titus is

active in the LP industry as a co-vice chair of the National Retail Federation loss prevention advisory committee and member of the LossPrevention magazine editorial board. He can be reached at 847-286-1945 or via email at wtitus@searsbc.com.